

Message Text

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ACTION EB-07

INFO OCT-01 ISO-00 AF-06 ARA-06 EA-07 EUR-12 NEA-10 IO-11

FEA-01 ERDA-05 AID-05 CEA-01 CIAE-00 CIEP-01 COME-00

DODE-00 FPC-01 H-02 INR-07 INT-05 L-03 NSAE-00 NSC-05

OMB-01 PM-04 USIA-06 SAM-01 OES-03 SP-02 SS-15 STR-04

TRSE-00 PA-01 PRS-01 XMB-02 /136 W

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P R 180600Z FEB 76

FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC PRIORITY 2758

INFO AMCONSUL MEDAN

AMCONSUL SURABAYA

USMISSION OECD PARIS PRIORITY

USMISSION USUN NY

C O N F I D E N T I A L JAKARTA 2167

E.O. 11652: GDS

TAGS: ESN, CIEC, UNCTAD

SUBJECT: GOI VIEWS ON CIEC AND UNCTAD

REF: STATE 020560

1. SUMMARY: EVIDENCE THUS FAR INDICATES THAT INDONESIAN DELEGATION IN CIEC COMMISSIONS ON RAW MATERIALS AND FINANCE WILL SEEK COMPROMISE BETWEEN DESIRE FOR SOLUTIONS TO ECONOMIC PROBLEMS THROUGH PRAGMATIC, NON-POLITICAL APPROACH, AND OFTEN COMPETING POLITICAL OBJECTIVES OF POEC-LDC AND THIRD WORLD SOLIDARITY AS EXPRESSED IN UNCTAD POSITIONS. LATTER POLITICAL CONSIDERATIONS WILL PROBABLY PREVENT INDONESIA FROM TAKING CREATIVE ROLE OR VARYING SARPLY FROM GROUP OF 19 POSITIONS AT CIEC. END SUMMARY.

2. FOREIGN DEPARTMENT'S DIRECTOR GENERAL FOR FOREIGN ECONOMIC RELATIONS B. S. ARIFIN TOLD AMBASSADOR DURING CALL FEBRUARY 13 THAT GOI DELEGATION ON CIEC RAW MATERIALS AND FINANCE COMMISSIONS
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WILL BE GUIDED BY GROUP OF 77 POSITIONS ADOPTED RECENT

UNCTAD MEETING IN MANILA, WHICH INDONESIA FULLY SUPPORTS. IN RESPONSE TO AMBASSADOR'S QUESTIONS, ARIFIN OFFERED MAINLY PRO FORMA ENDORSEMENTS OF GROUP 77/UNCTAD PROPOSALS, OFTEN READING FROM TEXT OF THESE PROPOSALS. HIS COMMENTS ON VARIOUS SUBJECTS SUMMARIZED AS FOLLOWS:

3. COMMODITIES: GOI SUPPORTS GROUP OF 77/UNCTAD "INTEGRATED" COMMODITY PROGRAM. GOI AND 77 RECOGNIZE THAT COMMODITIES DIFFER AND EACH REQUIRES SPECIAL APPROACH. BUT COMPREHENSIVE, INTEGRATED ATTACK ON OVERALL COMMODITY PROBLEM IS NEEDED, SINCE PIECEMEAL EFFORTS TO STABILIZE PRICES OVER LAST THIRTY YEARS HAVE NOT SUCCEEDED.

4. A COMMON FUND TO FINANCE BUFFER STOCKS SHOULD BE MAINSTAY OF INTEGRATED COMMODITY PROGRAM. FUND WILL NEED \$3 BILLION, INCLUDING \$1 BILLION IN PAID-UP CAPITAL. INDONESIA HAS PLEDGED \$50 MILLION, AND SHARES HOPE OF OTHER MEMBERS OF 77 THAT INDUSTRIAL COUNTRIES WILL CONTRIBUTE. HOWEVER, THERE ARE SIGNS THAT LDC'S WILL ESTABLISH THE FUND EVEN WITHOUT PARTICIPATION OF INDUSTRIAL NATIONS, IF NECESSARY.

5. THE TEN COMMODITIES PROPOSED FOR INCLUSION IN THE UNCTAD COMMODITY PROGRAM BY THE ASIA SUBGROUP OF THE 77 AT JAKARTA MEETING JANUARY 19-21 ARE APPROPRIATE FOR BUFFER STOCK TREATMENT ACCORDING TO UNCTAD STUDIES. AT PLENARY SESSION OF THE 77 IN MANILA, SEVEN MORE COMMODITIES WERE ADDED TO THE LIST, BUT IT IS NOT CLEAR THAT THE EXTRA SEVEN LEND THEMSELVES TO BUFFER STOCKS.

6. THE 77 VISUALIZE FORMATION OF AD HOC INTERGOVERNMENTAL GROUPS WITHIN FRAMEWORK OF UNCTAD TO ESTABLISH COMMON BUFFER STOCK FUND AND TO NEGOTIATE FINANCIAL AND OTHER ARRANGEMENTS. BOTH LDC AND DC MEMBERS OF UNCTAD WILL BE INVITED TO PARTICIPATE.

7. INDEXATION OF RAW MATERIAL EXPORTS TO COST OF INDUSTRIAL IMPORTS WAS NOT MENTIONED IN MANILA PROPOSALS OF 77, AND NO SUCH SCHEME IS ENVISAGED UNDER UNCTAD COMMODITY PROGRAM. HOWEVER, COST OF MANUFACTURED IMPORTS WILL BE FACTOR IN ESTABLISHING FAIR LEVELS FOR PRICE STABILIZATION THROUGH BUFFER STOCKS.

8. FINANCIAL REFORMS: GOI SUPPORTS ADVANCED IN JAMAICA INTERIM
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MONETARY AGREEMENT SUCH AS SPECIAL TRUST FUND, BUT BELIEVES MORE SHOULD BE DONE. GOI WILL SUPPORT GROUP OF 77/UNCTAD FINANCIAL REFORM PROPOSALS IN CIEC FINANCE COMMISSION, INCLUDING PROPOSALS FOR SOFTER CREDIT TERMS, INCREASED RESOURCE TRANSFERS TO REACH ODA TARGET BY 1980 AND USE OF SDR'S AS PRINCIPAL RESERVE ASSET.

9. GOI ALSO SUPPORTS STRENGTHENING OF UNCTAD AS INSTITUTION

RESPONSIBLE FOR IMPLEMENTING MANY PARTS OF PROGRAM OF ACTION
OF 7TH UNGA SPECIAL SESSION.

10. TRADE MINISTER RADIUS PRAWIRO, IN FEBRUARY 14 MEETING
WITH AMBASSADOR, TOOK A MORE MEASURED APPROACH TOWARD UNCTAD AND
CIEC. HE CHARACTERIZED UNCTAD AS ESSENTIALLY "POLITICAL,"
WHILE CIEC WOULD TAKE MORE PRACTICAL APPROACH TO RAW MATERIALS
AND FINANCIAL ISSUES. HE EXPRESSED CLEAR PREFERENCE FOR CIEC
FORUM SINCE IT PROVIDED FOR MORE FRUITFUL DISCUSSIONS AT WORKING
LEVEL. IN RESPONSE TO AMBASSADOR'S QUESTION ABOUT UNCTAD IN-
TEGRATED COMMODITY PROGRAM, RADIUS EXPRESSED SOME DOUBT, SAYING
IT WOULD BE EXTREMELY DIFFICULT TO LUMP ALL SEVENTEEN COMMODITIES
TOGETHER AND TREAT THEM AS SINGLE ISSUE. HE CITED, FOR EXAMPLE,
ASEAN'S DIFFICULTIES IN FORMULATING A COMMON RUBBER POLICY, AND
OBSERVED JOKINGLY THAT "AFTER EIGHT MONTHS, FIVE STATES CAN'T
EVEN AGREE ON A SINGLE COMMODITY."

11. SWISS DCM TOLD EMBOFF THAT WORKING LEVEL TECHNOCRATS IN
BOTH FOREIGN AND TRADE DEPARTMENTS ARE DISCOURAGED ABOUT CHANCES
FOR REAL PROGRESS IN PARIS, BECAUSE INSISTANCE OF LDC'S ON RIGID
THIRD WORLD UNITY, RECENTLY FORTIFIED BY MANILA GROUP OF 77/UNCTAD
MEETING, COULD PREVENT RESOLUTION OF COMPLEX ISSUES.

12. MINISTER OF ECONOMY WIDJOYO, WHO LED INDONESIAN DELEGATION
TO MANILA GROUP OF 77/UNCTAD MEETING, EXPRESSED GOI'S PUBLIC
STANCE IN FAVOR OF THIRD WORLD UNITY IN REPORT TO PARLIAMENTARY
COMMISSION IN JAKARTA JANUARY 13. ACCORDING PRESS REPORTS,
WIDJOYO SAID THIRD WORLD SHOULD STRIVE FOR UNITY IN UNCTAD IV
MEETING IN NAIROBI IN MAY. HE SAID CIEC IS A SIGN THAT DC'S
ARE NOW TAKING MORE "FLEXIBLE" POSITION TOWARD LDC NEEDS,
BUT WARNED THAT LDC'S SHOULD BE VIGILANT AGAINST "INTRIGUES" BY
INDUSTRIAL NATIONS TO PLAY OFF OIL-PRODUCING LDC'S AGAINST NON
OIL-PRODUCERS, USING HIGH OIL PRICES AS PRETEXT FOR ECONOMIC
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DIFFICULTIES IN THE POOREST COUNTRIES AND WORLDWIDE.

13. COMMENT: ARIFIN'S COMMENTS REFLECT THIRD WORLD POLITICAL
ORIENTATION OF FOREIGN DEPARTMENT LEADERSHIP, WHICH IS NOW
PARTICULARLY SENSITIVE TO NEED FOR THIRD WORLD SUPPORT AS A RESULT
OF SETBACK IN U.N. OVER TIMOR. RADIUS' REMARKS, IN CONTRAST,
REPRESENT THE PRAGMATIC STRAIN WHICH TECHNOCRATS CONTRIBUTE TO
GOI POLICY. WIDJOYO'S STATEMENT ON NEED FOR THIRD WORLD UNITY
AMONG OIL AND NON-OIL LDC'S AGAINST DIVISIVE TACTICS OF DC'S
CONFIRMS OVERRIDING GOI POLICY IN SUPPORT OF OPEC AND HIGH OIL
PRICES. GOI APPROACH TO CIEC WILL REPRESENT BALANCE OF THESE
COMPETING APPROACHES. GOI WILL COUNSEL MODERATION AND STRIVE
FOR REAL PROGRESS IN CIEC TALKS, BUT IT WILL NOT RISK LOSS OF
THIRD WORLD SUPPORT BY DEVIATING VERY FAR FROM GROUP OF 19
CONSENSUS.

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